



A Wisconsin Perspective on President Bush's FY2008 Budget

February 7, 2006

Prepared by the staff of Senator Herb Kohl

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Dear Friends:

This week the President released his proposed budget for fiscal year 2008. This budget comes at a critical time in our history as we ponder issues that will affect our society for years and years to come.

As we organize ourselves for this budget debate, I asked my staff to prepare the following "instant analysis" of the President's budget from a uniquely *Wisconsin perspective*. Their mission was not to provide a detailed review of every account in the budget. Rather, I asked them to highlight a representative sample of programs and proposals that lend context to the challenges and opportunities we face. Their review suggests that we have *much* work ahead.

The President's budget recycles a number of proposals that have been rejected in the past (elimination of the Commodity Supplemental Food program, for example.) And it ignores a number of significant, looming problems (like finding a solution to the Alternative Minimum Tax.) My overall impression is that the President missed an opportunity to reach out and lead. This budget simply does not strike the right balance for Wisconsin or the nation. Our task now is to find the right balance.

Presidential budgets are powerful documents; they set the stage for thousands of negotiations, big and small, that will follow in the months ahead. I hope this information is helpful to the people of Wisconsin. Today is only the first step in a long budget process. You can be sure that I will continue fighting for budgets that build for our future and put the people of Wisconsin first.

Sincerely,



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Contents

Introduction	1
Community and Economic Development.....	1
Community Development Block Grants	
Clean Water State Revolving Fund	
Manufacturing Extension Partnership	
Education.....	2
Head Start/Early Childhood Development	
No Child Left Behind (NCLB)	
Perkins Career and Technical Education Program	
Afterschool/21 st Century Community Learning Centers	
Health and Family Resources.....	3
Health Care Proposal	
Medicare and Medicaid	
State Children's Health Insurance Program	
Commodity Supplemental Food Program	
Community Service Block Grants	
Justice and Law Enforcement.....	4
Community Oriented Policing Service (COPS)	
State and Local Law Enforcement Assistance	
Edward J. Byrne Grant Program	
Juvenile Justice Funding	
Transportation, Energy and Natural Resources.....	5
Amtrak	
Next Generation High-Speed Rail	
Low Income Home Energy Assistance Program	
Weatherization Assistance	
Resource Conservation and Development	
Veterans.....	7
Veterans Administration	

Introduction

The budget debate for FY2008 will be punctuated with fierce competition for limited federal resources, a strong desire to support our troops and an overarching goal of shrinking the deficit. We welcome the President's recommendations but point out that there are many ways to achieve such worthwhile objectives.

The analysis below attempts to shed light on a number of domestic priorities at stake in this debate. It is by no means comprehensive. Rather it is illustrative and intended to help us think more broadly about the Wisconsin impacts of changes in national spending priorities.

Community and Economic Development

Community Development Block Grants (CDBG) - HUD

The Community Development Block Grant Program (CDBG) provides funding to local communities to create jobs, spur economic development, and expand homeownership. In FY2006 Wisconsin Communities received \$67.2 million in CDBG funding. **If spread proportionately across the nation, Wisconsin communities could expect \$19.8 million less in CDBG funding under the President's FY2008 budget.**

Clean Water State Revolving Fund – EPA

The Clean Water State Revolving Fund provides low interest loans to communities to help them update decaying waste water systems. These funds help to protect rivers and streams by preventing sewer overflows and contamination. In FY2006 this program was funded at \$886.8 million. **For FY2008 the President proposes \$687.5 million for the fund, a \$199 million cut from FY2006 levels. In FY2006, Wisconsin received \$23.9 million for the Clean Water State Revolving Fund. If the President's proposed cut were spread proportionately across the country, Wisconsin could expect to lose \$5.3 million.**

Manufacturing Extension Partnership – Commerce

MEP is a public-private partnership working with small and medium-sized manufacturers, helping them streamline operations, integrate new technologies, shorten production times, and lower costs. In the past year Wisconsin manufacturers achieved \$163 million in sales, \$33 million in cost savings and created or saved nearly 2,700 jobs. **For FY2008 the President's budget**

recommends a 56% reduction in MEP funding from \$106 million to \$47 million.

Education

Head Start/Early Childhood Development – HHS

Head Start is a proven program for preparing low-income pre-school children to succeed in school and serves more than 16,000 children in 54 locations throughout our state. Though widely accepted as a program that helps all children succeed, Head Start's funding has not kept pace with inflation and has been cut by 10.2% since 2003. The President's Budget proposes further cutting Head Start by \$100 million. **This proposal could lead to longer waiting lists in Wisconsin and threaten the quality of the program.**

No Child Left Behind (NCLB) – Education

Title I of the NCLB provides support for disadvantaged school districts. Last year NCLB authorized up to \$25 billion for these school districts, but resources fell \$11.1 billion short of that goal. Since its inception, cumulative funding for these grants has fallen \$54.7 billion short of authorized levels. Although the President's budget proposes a \$1.1 billion increase in Title I grants (for a total of \$13.9 billion), it is less than the amount authorized. **This means Wisconsin schools get \$218 million, rather than \$406 million as they would if Title I were fully funded.**

Perkins Career and Technical Education Program - ED

The Perkins program supports career and technical education, both at the Wisconsin Technical College System (WTCS) and the Department of Public Instruction. Last year, Wisconsin received roughly \$25 million, almost equally divided between WTCS and DPI. The President's budget proposes to cut \$687 million for career and technical education programs, despite the fact that Congress reauthorized and strengthened these programs just last year and the President signed the reauthorization bill into law. **This means Wisconsin schools would receive \$11 million instead of almost \$25 million if this program was level funded. Under this scenario, half of the 25,000 students at Wisconsin's 16 technical colleges could lose services such as counseling, Adult Basic Education, and transition services into the workforce. In addition, half of the 136,777 11th and 12th grade students in 368 state school districts could miss out on career and technical instruction if these cuts are implemented.**

Afterschool/21st Century Community Learning Centers – Education

These centers provide tutoring and after school enrichment for 30,000 students in rural and inner-city schools. Although they were authorized to receive up to \$2.5 billion nationwide in FY2007, federal resources committed to the centers totaled \$981 million. The President's proposes flat funding for the 21st Century Community Learning Centers. **Under this scenario, Wisconsin will get \$14**

million rather than \$28 million. With full funding, about 18,400 more Wisconsin children would have safer after-school options.

Aid for Wisconsin's College Students - Education

Over the course of their lifetime, college graduates will earn \$1 million more than high school graduates, and are more likely to have jobs that offer employer-sponsored health care and retirement benefits. While the President's budget proposes certain expanded tax benefits for education savings, it also freezes funds for key college programs, like work study, and zeroes out Supplemental Educational Opportunity Grants (SEOG). In 2006, Wisconsin received \$18 million in federal college work study funds and \$16.3 million in SEOG grants. **Under the President's proposal 3,500 UW-Madison students would lose SEOG support.**

Health and Family Resources

Health Care Proposal

The President proposes to expand tax incentives for qualifying health insurance (by providing standard deductions of \$15,000 for family coverage or \$7,500 for single coverage). Those with family policies exceeding \$15,000 in value would have to pay taxes on the excess amount. The new standard deduction could entice healthy people out of employer-based insurance and into the individual market with less comprehensive health plans. This could erode employer-based programs where the majority of people get their health insurance.

Employer-sponsored health insurance covers 3.2 million Wisconsin workers and their families. There are approximately 548,000 uninsured individuals in Wisconsin. **The President's health insurance proposal will does not address rising health care premiums (which have increased 87 percent since 2000.)**

Medicare and Medicaid – HHS

Wisconsin is home to some 818,000 Medicare beneficiaries. The President proposes \$78 billion in Medicare and Medicaid cuts and billions in new premiums. **Under the President's plan, more and more Wisconsin Medicare beneficiaries would have to pay higher premiums for coverage of prescription drugs and doctors' services, and fees paid to home health agencies, hospitals and nursing homes would be substantially reduced.** The budget also assumes that an 8-percent Medicare reimbursement cut for doctors, scheduled to go into effect next year, will not be reversed.

State Children's Health Insurance Program – HHS

The State Children's Health Insurance Program (SCHIP) makes block grants available to states to provide health insurance for children from working families that don't qualify for Medicaid. Last year Wisconsin's SCHIP served 64,000

families. Between FY2003 and FY2006 Wisconsin's SCHIP block grant funding was reduced from \$99.6 million to \$69.7 million. **While the President's budget proposes a slight increase to SCHIP nationwide, it is \$10 billion less than what is needed to maintain states' enrollment levels. Wisconsin has nearly 92,000 uninsured kids that could be eligible for SCHIP.**

Commodity Supplemental Food Program – USDA

The Commodity Supplemental Food Program (CSFP) provides food and nutrition services to low-income pregnant and post-partum women, children, and senior citizens. Nationwide, seniors constitute roughly 88% of CSFP participants. The President's FY2008 budget proposes elimination of CSFP. **In Wisconsin, some 5,000 low-income elderly individuals would cease to receive CSFP benefits.**

Community Services Block Grant - HHS

Community Services Block Grants help local organizations alleviate the causes and conditions of poverty through housing assistance, job training, financial education and food banks. In Wisconsin these efforts are led by the Wisconsin Community Action Program Association (WISCAP) which receives roughly eighty six percent of their funding from the Community Services Block Grant. **For the third year in a row, the President proposes eliminating this valuable program -- allowing the needs of thousands of Wisconsin's neediest individuals to go unmet.**

Justice and Law Enforcement

Community Oriented Policing Service (COPS) – DOJ

The COPS program is most famous for its Universal Hiring Program (UHP) which put 1,353 new cops on the beat in our state and sent more than \$120 million back to Wisconsin law enforcement since 1994. The COPS program also contains other programs that fund technology grants, bullet-proof vests, DNA initiatives, anti-methamphetamine programs, and tribal law enforcement. In 2002, the COPS program was funded nationally at more than \$1 billion. Since then, the President's budget has repeatedly recommended reduced funding for COPS, as well as the elimination of the hiring program. With violent crime again on the rise, we need more cops on our streets, not less. **For FY2008, the President proposes \$32 million for the COPS program, and again recommends a complete elimination of the hiring program.** This represents a 93% cut from the FY2006 funding level of \$478 million.

State and Local Law Enforcement Assistance – DOJ

The Office of Justice Programs distributes a variety of grants that help state and local law enforcement make our communities safer. These various grants are used for anti-gang initiatives, antiterrorism training, and other programs to combat

violent crime and protect our communities. In FY2006, Congress appropriated over \$1.14 billion for these efforts, and the continuing resolution working its way through Congress this year would provide a little over \$1.25 billion for FY2007. **For FY2008, the President proposes consolidation of these different grant programs and requests combined funding of \$550 million. This represents a cut of 52% from the overall level Congress provided for these various programs in FY2006, and a 56% cut from what it plans to provide for FY2007.**

Edward J. Byrne Memorial Justice Assistance Grant Program - DOJ

The Byrne Grant program is among those proposed for restructuring above. From 2001 through 2004, Wisconsin law enforcement authorities received between \$8.8 and \$9.2 million annually under the Byrne program to fight drug-related crime. The continuing resolution making its way through Congress right now would provide total FY2007 Byrne funding of about \$525 million. **The President's request eliminates the Byrne formula grant program, which has greatly assisted Wisconsin law enforcement for over 30 years.** While the President requests \$350 million for "Byrne public safety and protection," the formula grant program would be eliminated, and the new competitive program will be used to fund a broader range of programs, though with substantially fewer funds.

Juvenile Justice Funding – DOJ

Two primary programs – the Title V Local Delinquency Prevention Program and the Juvenile Accountability Block Grant (JABG) program – are dedicated to juvenile crime prevention and the urgent needs of juveniles who have had run-ins with the law. In 2001 Wisconsin received \$4,994,500 under these programs alone. As a result of the Administration's recommendations, Wisconsin's funding from these programs has plummeted by 80 percent over the past six years.

For FY2008, the President's budget eliminates these proven programs and replaces them with a single juvenile justice program. Overall, this consolidation would also result in cut, from nearly \$343 million in FY2006 to an estimated \$280 million. This amounts to a reduction of more than 18% from FY2006.

Transportation, Energy and Natural Resources

Amtrak - DOT

Rail plays an increasingly important role in Wisconsin's transportation system. In 2006 ridership on the Hiawatha Line, between Milwaukee and Chicago, reached record levels and increased more than 8 percent over the previous year. High gas prices continue to highlight the importance of a multi-modal transportation

system. Funding for equipment upgrades and improvements are critical to maintaining a high level of rail service in Wisconsin. The President's budget proposes \$800 million for Amtrak in FY2008. **This is \$400 million below last year's request and nearly \$500 million below the level of funding provided for FY2007.**

Next Generation High-Speed Rail - DOT

These grants support research and development needed to facilitate high-speed passenger rail service across the United States. Recognizing the potential benefits, Wisconsinites have been at the forefront of this effort. **The President's budget eliminates funding for this program, thereby limiting states' abilities to utilize and research a mode of transportation that would serve both commuter and intercity travelers.**

Low Income Home Energy Assistance Program (LIHEAP) – HHS

LIHEAP helps eligible Wisconsinites survive cold weather and high energy costs. In FY2006 Wisconsinites received \$70.5 million in LIHEAP funding. For FY2008 the President proposes to cut LIHEAP to \$1.782 billion, down from an expected \$2.186 billion for FY2007. **This represents a 18.5% reduction and if spread proportionately across the nation would mean roughly \$18 million less for our state.**

Weatherization Assistance Program – DOE

The Weatherization Assistance Program enables low-income families to *permanently* reduce their energy bills by making their homes more energy efficient. In 2006 Wisconsinites received \$8.8 million under the program. The President's budget proposes \$144 million for the Weatherization Assistance Program, a \$98 million cut over FY2006 levels. **If spread proportionately across the nation, this would lead to a \$1.96 million cut for Wisconsin.**

Resource Conservation and Development - USDA

The RC&D program encourages land and water conservation and wise resource planning in cooperation with local governments. The RC&D program has been particularly useful in encouraging protection and wise planning for the Driftless area in Southwest Wisconsin. Wisconsin is expected to benefit from nearly \$900,000 in RC&D funding in FY2007. Nationwide, the President proposes to consolidate the RC&D Coordinator functions at the state level, reducing the number of RC&D Coordinators from 375 to approximately 50. This change would reduce RC&D funding by \$36,134,000. **Wisconsin funding would drop to \$260,000 under this proposal.**

Veterans

Veterans Administration – VA

Nearly half of the military servicemen and women serving in Iraq and Afghanistan will require health care services for the physical and psychological traumas of war, yet the President's budget again underfunds the Department of Veterans Affairs. The budget requests approximately \$34.2 billion for veterans health care, a 6-percent increase over the 2007 funding level of \$32.3 billion in the continuing budget resolution. The VA has testified in the past that the Veterans Health Administration requires an annual minimum increase of 13-14 percent to meet the rising costs from medical inflation and increasing demand. **Without adequate funding, the VA health care system will find it more difficult to provide quality care for Wisconsin's 445,000 veterans and outtroops returning from Iraq and Afghanistan.**